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RUEHKA/AMEMBASSY DHAKA PRIORITY 2584
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RUEHLO/AMEMBASSY LONDON PRIORITY 6451
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 3017
RUEHCI/AMCONSUL KOLKATA PRIORITY 4592
RUEKJCS/SECDEF WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 3511
RHEFDIA/DIA WASHDC PRIORITY
RHMFIUU/CDR USPACOM HONOLULU HI PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
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SUBJECT: NEPAL: PRIME MINISTER RESIGNS SITREP 2

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(U) Since May 5 late afternoon local time, the following key events have occurred:

May 5

-The Supreme Court issued show-cause notices to the President, cabinet, and Chief of Army Staff Katawal demanding explanations why their actions were not unconstitutional. The defendants have 10 days to respond.

-Maoist District Organization Committee in Ramechhap (75 km east of Kathmandu) issued an ultimatum to Nepali Congress (NC) and Communist Party of Nepal - United Marxist Leninist (UML) to leave the district within five days. Maoists had threatened the party for being 'foreign agents'. NC and UML offices remain closed, but cadre have not left Ramechhap.

May 6

-UML President Jhalanath Khanal reportedly raised the threats issued in Ramechhap with PM Dahal at a morning meeting.

-Day two of the Maoists' announced six-day protest program for Kathmandu saw numerous marches throughout the Kathmandu valley. Several hundreds of protesters held mostly peaceful rallies in various neighborhoods of the capital. Clashes between Young Communist League protesters and police led to a few injuries.

- Due to the protests the Embassy's Regional Security Office restricted travel of embassy personnel.

-Press reports state that Maoists in Kailali have issued an order that all those supporting President Yadav's actions leave the district within one week or face serious consequences.

-The Ambassador, along with some other EU Ambassadors, met with PM Dahal this afternoon. Cable to follow.

-Following the meeting with the PM, the same group met with UML President Khanal.

-The afternoon meeting of the legislature was disrupted by Maoist members immediately after the national anthem. No business could be conducted.

-The Supreme Court hearing on Katawal's age took place as scheduled this afternoon, but no decision was issued.

-Party negotiations on formation of a new government continue, but are inconclusive as of close of business.

-The afternoon meeting of three Madhesi parties (Madhesi People's Rights Forum, Terai Madhes Democratic Party, and Sadbhavana Party) to forge a unified position on the formation of a new government was ongoing at close of business.

-At a news conference late this afternoon the PM made the following points:

- a) the aim of the videotaped speech he gave (January 2008) was to strengthen the morale of Maoist cadre at a time when it was unclear whether elections for the Constituent Assembly election would be held (Additional information on the videotape will be reported septel),
- b) the President's unconstitutional action must be corrected before progress can be made on forming a new government,
- c) he was confident the next government would be formed under Maoist leadership, and
- d) the Maoists were committed to the peace process and drafting a new constitution.

POWELL